



TO: Members, Senate Education, Energy, and the Environment Committee
FROM: Paul Pinsky Director, MEA
SUBJECT: SB 143 - Electricity – Net Energy Metering – Accrual of Net Excess Generation (Net Metering Flexibility Act)
DATE: February 21, 2023

MEA Position: Letter of Information

Senate Bill 143 Electricity – Net Energy Metering – Accrual of Net Excess Generation (Net Metering Flexibility Act) aims to allow greater flexibility for electricity customers that utilize net metering. The changes to net metering may inadvertently burden customers, and reduce the overall benefit of net metering.

Under the Maryland net metering regime, a utility ratepayer that installs qualifying generation assets (e.g. a rooftop solar photovoltaic system) is considered a “qualified customer-generator”. Customer-generators’ monthly electric utility bills are reduced by a dollar amount equal to the full retail value of the electricity they generate (including both the commodity price of the energy *and* the price of delivering electricity). If the customer-generator produces more energy than they consume, that “net excess generation” is carried forward to the next month as a credit.

Currently, credits accumulated through net excess generation are subject to an annual true-up, whereby, on an annual basis, the customer is paid the cash value of *only* the commodity portion of the excess generation. This ensures that customer-generators receive some value for unused excess generation credits and it also creates an annual starting point for all customer-generators to begin accumulating generation credits.

The change of the true-up date from April to August reduces the benefit to the customer-generator by minimizing the generation credits available to be used by the customer-generator when they are most needed (fall and winter), and by maximizing the amount of credits that will be paid out in cash at the lower, commodity rate, rather credited at the higher, full retail rate.

The current requirement that the annual true-up occur before 30 days after the billing cycle that is complete immediately prior to the end of April is not arbitrary. Beginning the annual cycle of net excess generation credits in spring maximizes the opportunity for owners of solar generation assets to accumulate credits when the angle of incidence and solar generation capacity factors are at their peak. **The selection of April helps ensure that customer-generators will have accumulated credits prior to the winter months where solar**

generation output is limited, and a lesser portion of the customer-generator's electricity bill will be offset by net-metering. This approach means, if a customer-generator's generation assets are sized optimally, that the customer-generator can avoid the economic liability of a monthly volumetric electricity charges entirely and in perpetuity.

The Maryland Energy Administration requests that the Committee consider the forgoing prior to rendering its report.